



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Required Report - public distribution

Date: 3/28/2001

GAIN Report #BF1002

Bahamas, The

Exporter Guide

Annual

2001

Approved by:

Margie Bauer

Caribbean Basin Agricultural Trade Office

Prepared by:

Edgar Amaro, Greg Metellus and Mario Concha

Report Highlights:

The Bahamas is one of the best and easiest markets in the Caribbean islands for introducing new U.S. products. The Bahamas, depending on the United States for 77 percent of their food import needs, provides an excellent opportunity to introduce new U.S. products for many reasons. For example, the Bahamas has a growing tourism industry, they depend on high value food imports for ninety percent of their food needs, the distance between the two countries is minuscule, they have a taste for and confidence in U.S. food, their distribution system is straight forward and well developed, they have strong business ties to the United States, they have relatively low tariffs and they accept U.S. food laws. The largest and fastest growing categories of U.S. food exports are snack foods, fruit and vegetable juices, wine and beer, and processed fruit and vegetables.

Includes PSD changes No.
Includes Trade Matrix: No.
Annual Report
Miami[C11], BF

SECTION I. MARKET OVER VIEW

The Bahamas is a stable and developing nation with an economy heavily dependant on tourism and offshore banking. Tourism is the largest industry in the Bahamas, accounting for more than 60 percent of GDP and employs directly and indirectly 66 percent of the archipelago's labor force. In 1999 the Commonwealth of the Bahamas recorded \$1.5 billion in revenues from visitor expenditure alone.

The 700 island archipelago, in which most inhabitants reside on the islands of New Providence and Grand Bahama, welcomed 3.6 million visitors in 1999 marking an increase of 9.9 percent of arrivals from the prior year. Total tourist stay-over visits for 1999 were comprised of 83 percent Americans, 5 percent Canadians, and the European community showing a 9 percent increase from 1998. Cruise passenger arrivals, non stay-over visitors, totaled 2.2 million in 1999 which, in part, accounted for a significant increase in percentage of average stopover expenditure. A boom in construction of new hotels, resorts, and residences led to a 7 percent decrease in unemployment and an increase of the country's GDP to approximately \$4.56 billion in 1999. The Bahamian dollar is bared to the U.S. dollar 1 to 1 and inflation is at 1.3 percent.

Agriculture and industry account for less than 10 percent of GDP. Ongoing efforts to expand food production are supposed to reduce imports and generate foreign exchange. The Government of The Bahamas (GOB) actively seeks foreign investment aimed at increasing exports in: beef and pork production and processing and the production of fruits and nuts, dairy products, winter vegetables, seafood, and mariculture.

With only 1 percent arable land, an agricultural production base that currently only accounts for 5 percent of total demand, and a large and growing tourism industry, it is unlikely that local production will ever play a major role in meeting local demand. This results in opportunities for U.S. suppliers to maintain their high levels of exports to the Bahamas and makes the market attractive for those looking to increase their export destinations.

Almost all food in the Bahamas is imported, so consumers are quite accustomed to imported, and especially, U.S. foods. The Bahamas is a former British colony. Some cultural ties to the United Kingdom still exist but the United States exerts the most influence because of its proximity. The United States supplies the vast majority of the food consumed in the Bahamas, and even food products from Europe and other places are generally shipped through the United States.

Many Bahamians travel regularly to the United States and even those who do not are exposed to American advertising and culture through American television broadcasts. The millions of tourists from the United States who visit the Bahamas every year, most of whom do not stay in all-inclusive resorts, favor U.S. food products, making these products ubiquitous on the islands. While import duties are high for some products, the import process is quite transparent and open, and a wide variety of U.S. consumer food products are available.

Advantages	Challenges
Consumer trends are a reflection of United States buying patterns.	Some cultural influences from the United Kingdom remain.
Almost all food in the Bahamas is imported, 77 % from the United States.	By attracting foreign investment and raising tariff, the GOB promotes and protects the local production of crops, livestock and poultry.
Bahamian food laws tend to follow U.S. standards and regulations.	New developments are underway in the area of shrimp farming; local fishing industry has a very high growth potential.
Potatoes, sweet potatoes, corn, rice, evaporated milk, condensed milk, butter, pacific salmon, herrings, anchovies, cod, and meat in airtight containers are duty free.	Fruits, vegetables, and dairy products receive a tariff between 10 and 35 %. Poultry receives a duty of 10 %, while most fish, seafood, and prepared meat can be charged duties between 30 and 35 %.
The GOP has an open and transparent importation process.	Steep import tariffs are charged on most other food imports ranging from \$1.60 per gallon of beer to up to 50% on various juices.

SECTION II. EXPORTER BUSINESS TIPS

Business Relationships/Choosing a Partner

Business relationships in the Bahamas are best carried out face to face. Most suppliers visit their distributors twice a year. Importers and distributors appreciate information and merchandising assistance, especially with new products. Business dress is formal.

Some Bahamian distributors complain about U.S. food suppliers who try to sell their products to wholesalers and retailers at the same time. Discretion should be exercised by firms wishing to sell into the Bahamas; it is a small community and every company knows what others are doing.

The advantages and disadvantages of exporting to a distributor versus directly to the retail outlet or hotel are the same in the Bahamas as well as elsewhere in the Caribbean. Major distributors sell products to a wide array of customers, and generally give assistance with marketing and sales. However, some distributors may not be able to carry certain products because of agreements with other companies whose products they represent. While dealing with a retailer cuts out the wholesalers' margins, the U.S. supplier receives no service and must deal with a number of accounts rather than one.

The new discount clubs in the market are always on the lookout for direct suppliers, but products must be packaged in club packs, i.e., cases or institutional-sized containers.

Another alternative is to sell products through U.S. food wholesalers who specialize in servicing the Caribbean market by consolidating up to 150,000 different items. These companies, most of whom are based in South Florida, may not offer all of the marketing muscle of a local agent, but they are often quite competitive on price. Many Caribbean wholesalers and retailers use a combination of local and U.S. wholesalers and buy direct, depending on who offers the services and price that best suit their needs.

Net thirty-day terms are standard in the Bahamas, although some importers report payment of accounts on a weekly basis while others say the terms depend upon how well they know the supplier.

Laws and Regulations

The United States supplies an overwhelming majority of imports to the Bahamas, and food products from the European community and other places are generally shipped through the United States. Bahamian food laws follow U.S. standards closely. When food-related health threats arise, the Bahamian Department of Agriculture will often more closely regulate the import of that particular food or beverage product.

Phytosanitary certificates from the country of origin are required for fresh produce items.

The Department of Agriculture requires Bahamian importers to obtain a valid business permit for the importation of any fruits, vegetables, meats, poultry, and dairy products. However, before a permit is issued, the importer must obtain a valid business license in the Bahamas. If the GOB decides that imports are hurting local producers, items will be banned or duties raised (usually for a certain period of time, on vegetables, citrus, bananas, or poultry). For example, citrus fruit from Florida has been prohibited from entering the Bahamas since 1997.

Importers use their own in-house brokers or outside companies for the relatively simple and transparent process for custom clearance.

Tariffs and other taxes

With no income tax, the GOB depends on import tariffs for 60 percent of its total revenue. The remainder comes primarily from the tourism industry. The basic ad valorem tariff rate for imported goods is 35 percent, but many food products have lower tariff rates.

Imports of almost all beef and pork products are duty-free, while all poultry has a 10 percent tariff. All fish and seafood imports have a 30 percent duty rate, with the exception of some products such as pacific salmon, herrings, anchovies, and cod, which are duty-free. Most prepared meats or fish products such as sausages or tuna have a 35 percent duty rate but those in airtight containers are duty-free.

Evaporated milk, condensed milk, and butter have no duties. Cheese receives 10 percent. Low-fat, skim milk, whole milk, and eggs have 15 percent. Yogurt receives 30 percent.

Fresh and processed fruit and vegetable imports are subject to a range of duties between 0 and 35 percent. Potatoes (fresh or chilled but not frozen), corn and rice, are all duty-free. Juice imports are subject to a duty rate of 10-50

percent, depending on the type of juice and how it is packaged: most juices with containers of 13 oz or less are charged 10 percent; frozen juices, 30 percent; and other juices, 50 percent. Oranges, limes, lemons and grapefruit receive 20 percent. Fresh or chilled tomatoes, carrots and lettuce receive 25 percent. Prepared or preserved fruits and nuts receive a 35 percent duty rate.

Most other food imports are subject to a 30 percent tariff rate, except the following which are duty-free: baby foods, coffee, tea, wheat, meslin and rye, flours, almost all vegetable oils, prepared soups, mayonnaise, margarine, and sugar. Other exceptions include ketchup, at 25 percent, and ice cream, at 35 percent.

Import tariffs on alcoholic beverages range from duty-free for sparkling wine and stronger spirits (i.e., whiskey, rum, vodka, and gin) to \$1.60 per gallon of beer and 60 percent of value for vermouth.

In 1999 the Bahamas imported \$121 million in consumer-oriented foods from the United States, European Union, Canada, CARICOM and other countries. The United States led this group of major exporters to the Bahamas with 77% percent market share, maintaining its position as the biggest exporter of consumer foods to the Bahamas.

SECTION III. MARKET SECTOR STRUCTURE AND TRENDS

Because of the large influx of American visitors and exposure to American advertising through television, consumer trends tend to mirror those in the United States.

Some hotels also are reportedly importing more products directly from the United States, rather than buying from local wholesalers. The hotel industry in general, however, has been a growth area for many wholesalers more accustomed to servicing the retail trade. The high volume of tourists and the large volume of business from the tourist hotels (including the Atlantis Casino, which accounts for six percent of the Bahamas national GDP) is helping to make up for a lack of growth in the retail trade.

About 20 large and well-established wholesalers dominate in the Bahamian market. Most of them are agent/distributors and serve the retail and HRI (hotel, restaurant, and institutional) or food service trade. Wine, beer, and liquor wholesaling and distribution is handled by a few companies that specialize in this area.

While the major wholesalers try to carry a full line of fresh, frozen, and dry products, a few wholesalers concentrate more on one category of fresh, chilled or frozen products such as produce, meat and poultry or seafood. Wholesalers will, to a small extent, buy products from each other in order to offer clients a wider range of products. Some companies also import bulk products under a private label.

Each of the major wholesalers in the Bahamas has a large warehouse in Nassau, which is both computerized and mechanized. They have a fleet of 25 or so trucks that make deliveries to supermarkets, restaurants, and hotels. A couple of wholesalers have warehouses in Freeport. Products are shipped to wholesalers in Freeport using container cargo and smaller vessels. Products are then shipped to the other islands using small mail boats.

The wholesale business has become more competitive in the Bahamas as more and more retail food stores bring in products directly. One wholesaler notes that "shipping is no longer the elusive mystery it once was" and that even small, independent grocers are bringing in products on their own in order to take advantage of lower costs. Having to

compete with this kind of activity has squeezed the margins of many wholesalers. In addition, the popularity of new discount club stores has taken business away from the supermarkets and grocery stores which are the wholesalers' biggest customers.

Of the over 220 listed grocery stores in the Bahamas, most of them are small, independent grocers. Most grocery stores are located in Nassau and surrounding areas. Food retail stores in the Bahamas can be divided into three categories: supermarkets, grocery stores and discount membership clubs.

Bahamian shopping patterns generally depend on the family. In families where the woman works in the house, the woman generally does the shopping on a daily or several times a week basis. In families where the woman or both spouses work, shopping may be done by the man or the woman generally on a weekly basis. Thursday, Friday and Saturday are the biggest food shopping days.

SECTION IV BEST HIGH-VALUE PRODUCT PROSPECTS

Category	U.S. exports in 2000
Snack Foods	\$12.8 million
Fruit & Vegetable Juices	\$8.5 million
Wine and Beer	\$6.6 million
Processed Fruit and Vegetables	\$6.2 million
Meat, fresh/chilled/frozen/prepared	\$11.2 million
Poultry, fresh/chilled/frozen/prepared	\$6.1 million
Nursery products and cut flowers	\$5.0 million
Dairy	\$3.7 million
Seafood	\$1.8 million

Due to the high demand for the products listed above by the domestic sector and especially the tourism industry, they represent excellent opportunities of success for suppliers interested in exporting to the Bahamas. In 1999, the United States commanded a 77 percent share of the Bahamas' \$121 million in imported food products.

The fastest growing categories of U.S. food exports are snack foods, fruit and vegetable juices, wine and beer, and processed fruit and vegetables. Snack foods exports jumped to \$12.8 million in calendar year 2000, up from \$10.3 million in 1999. Fruit and vegetable juices rose from over \$8.5 million in 2000 from \$6.7 million in 1999. Wine and beer also increased from a low of \$4.3 million in 1997 to \$6.6 million in 2000. Processed fruit and vegetables exports were fairly stagnant from 1997 to 1999 at \$4.5 million to \$4.9 million but increased to \$6.2 million in 2000.

Strong but fluctuating categories are meat, dairy, poultry and nursery products. U.S. meat exports peaked at \$14.5 million in 1998 but were down to \$11.2 million in 2000. U.S. poultry exports, which are limited by local production, dropped dramatically from \$10.8 million to \$6.1 million in 2000. U.S. nursery products and cut flower exports started at \$1 million in 1996, peaked at \$6.2 million in 1999 and were back to \$5.0 million in 2000. U.S. dairy exports were down from a high of \$5.2 million in 1998 to \$3.7 million in 2000.

The local seafood industry in the Bahamas is growing and was expected to reduce the Bahamas dependence on imports. However, because of the increase of tourism, the market has actually grown to the point where local production has not slowed U.S. seafood exports but allowed them to vary only slightly over the past five years. They have been around \$2 million and were \$1.8 million in 2000.

SECTION V. KEY CONTACTS AND FURTHER INFORMATION

Caribbean Basin Agricultural Trade Office

Foreign Agricultural Service

United States Department of Agriculture

909 SE 1st Avenue, Suite 720

Miami, Florida 33131

(305)536-5300/ Fax (305)536-7577

e-mail: cbato@attglobal.net

<http://www.cbato.fas.usda.gov>

Margie Bauer

Director

Email: mbaue02@attglobal.net

Jennifer Rousseau

Deputy Director

Email: rousseau@attglobal.net

Graciela Juelle

Administrative Assistant

Email: gjuelle@attglobal.net

For information on countries around the world visit:

USDA/Foreign Agricultural Service web-site:

www.fas.gov

Country Commercial Guide:

www.state.gov/www/about_state/business/com_guides/2001/wha/index.html

Caribbean Tourism Organization

<http://www.caribtourism.com/>

CIA-The World Fact book 2000-The Bahamas

<http://www.odci.gov/cia/publications/factbook/geos/bf.html>

APPENDIX I. STATISTICS**A. KEY TRADE AND DEMOGRAPHIC INFORMATION**

Agricultural Imports From All Countries (\$Mil) / U.S. Market Share (%)	152.8 / 76.2
Consumer Food Imports From All Countries (\$Mil) / U.S. Market Share (%)	121 / 77.8
Edible Fishery Imports From All Countries (\$Mil) / U.S. Market Share (%)	4.5 / 44.5
Total Population (Thousands) / Annual Growth Rate (%)	294 / 1.01
Urban Population (Millions) / Annual Growth Rate (%)	N/A
Number of Metropolitan Areas	N/A
Size of the Middle Class (Millions) / Growth Rate (%)	N/A
Per Capita Gross Domestic Product (U.S. Dollars)	\$20,000 (1998)
Unemployment Rate (%)	9% (1998 est)
Per Capita Food Expenditures (U.S. Dollars)	N/A
Percent of Female Population Employed	N/A
Exchange Rate (U.S.\$ = X.X local currency)	U.S.\$1.00=B\$1.00

